

Message Text

CONFIDENTIAL

PAGE 01 STATE 277340

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TO AMEMBASSY MOSCOW

C O N F I D E N T I A L STATE 277340

E.O. 11652: GDS

TAGS: PFOR, US, UR, ABLD, AFSP

SUBJECT: PRESENTATION TO DOBRYNIN ON CHANCERY CONSTRUCTION

1. ASSISTANT SECRETARY HARTMAN PRESENTED TO SOVIET AMBASSADOR DOBRYNIN ON NOVEMBER 21 A NON-PAPER (TEXT SEPTEL) SETTING FORTH US CONDITIONS FOR PERMITTING SOVIETS TO BEGIN CONSTRUCTION OF THEIR APARTMENT HOUSE, CLUB AND SCHOOL IN WASHINGTON. DOBRYNIN WAS ACCOMPANIED BY DCM VORONTSOV.

2. IN HANDING OVER THE NON-PAPER, WHICH SPELLED OUT POINTS PREVIOUSLY MADE TO DOBRYNIN BY THE SECRETARY, HARTMAN EXPLAINED THAT THIS APPROACH CLOSELY REFLECTED THE VIEWS OF CONGRESSMAN HAYS, WHO HAD AGREED THAT THE QUOTE BRICK-BY-BRICK UNQUOTE APPROACH WHICH HE AND THE DEPT FAVORED COULD BE MODIFIED AS SUGGESTED IN OUR NON-PAPER. HARTMAN NOTED THAT IF WE DO NOT WORK OUT A BALANCED ARRANGEMENT, IT COULD PROVE IMPOSSIBLE FOR US TO FUND OUR PROJECT AND THAT WOULD INEVITABLY AFFECT THE SOVIET PROJECT WHICH, OF COURSE, WE DO NOT WANT TO DO. HARTMAN ADDED THAT IN ORDER TO WORK
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 277340

OUT THE DETAILS, EXPERTS ON BOTH SIDES WOULD HAVE TO

NEGOTIATE. WE WOULD BE GUIDED BY SOVIET PREFERENCES AS TO WHETHER WE WOULD NEGOTIATE IN WASHINGTON OR MOSCOW.

3. DOBRYNIN RESPONDED THAT ON THE BASIS OF THE SECRETARY'S INITIAL COMMENTS TO HIM ON THE SUBJECT, HE HAD SOUGHT GUIDANCE FROM MOSCOW. RE CONSTRUCTION COSTS OF THE US PROJECT, US AND SOVIET EXPERTS HAD MET IN MOSCOW AND THE SOVIETS HAD ESTIMATED THE COST OF THIS KIND OF CONSTRUCTION AT BETWEEN 150-200 RUBLES PER CUBIC METER, BUT IT IS IMPOSSIBLE TO BE MORE SPECIFIC UNTIL US SPECIFICATIONS ARE RECEIVED. AS REGARDS THE 10 PERCENT SURCHARGE, HE SAID THAT THIS APPLIES TO ALL FOREIGNERS IN MOSCOW AND WOULD BE DIFFICULT TO CHANGE. ON THE LATTER POINT HARTMAN SAID THAT THE SOVIET SIDE HAS ALREADY OFFERED TO REDUCE THE 10 PERCENT SURCHARGE, AND IN ANY CASE A BILATERAL MATTER OF THIS SORT IS ALWAYS SUBJECT TO BILATERAL NEGOTIATION. THE US OBJECTIVE IS TO GET BOTH PROJECTS BUILT AS EXPEDITIOUSLY AS POSSIBLE. OF COURSE, OUR EXPERTS WILL HAVE TO CONSULT ON THE PRICE QUESTION BUT IT IS IMPORTANT THAT WE GET A CLEAR IDEA ABOUT COSTS IN ORDER TO HAVE A BASIS FOR GOING TO CONGRESS FOR OUR FUNDS. VORONTSOV REFERRED TO OUR CONDITION THAT ADVANCE PAYMENT BE WAIVED, SAYING THAT THE SOVIET SIDE HAS TO PAY IN ADVANCE IN WASHINGTON AND THEREFORE IT IS NOT FAIR TO ASK THAT THIS REQUIREMENT BE WAIVED IN MOSCOW. (COMMENT: ACCORDING TO THE DEPT'S INFORMATION, THE SOVIETS ARE COMMITTED TO MAKE A 2 MILLION DOLLAR DEPOSIT IN AN INTEREST-BEARING ESCROW ACCOUNT, TO BE DRAWN DOWN AS CONSTRUCTION PROCEEDS.) HARTMAN SAID THAT THEY SHOULD KEEP IN MIND THEY WOULD BE PERMITTED TO BUILD THEIR APARTMENT BUILDING BEFORE WE BEGIN CONSTRUCTION. DOBRYNIN SAID THE FOREIGN MINISTRY HAD POINTED OUT THAT THE AMERICAN DETAILED PLANS ARE EXPECTED TO BE READY ONLY IN APRIL. THEREFORE THE NEGOTIATING PROCESS WILL TAKE A LONG TIME. HARTMAN REPLIED THAT WE DID NOT ANTICIPATE WAITING UNTIL OUR DETAILED PLANS ARE COMPLETE; WE THINK IT SHOULD BE POSSIBLE TO FIND ANSWERS TO OUR QUESTIONS BEFORE THEN.

4. DOBRYNIN REFERRED TO POINT 2 IN THE NON-PAPER, LINKING OCCUPANCY OF THE SOVIET BUILDING WITH BEGINNING
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 277340

OF CONSTRUCTION ON THE MOSCOW PROJECT. HE MADE THE POINT THAT THIS DID NOT TAKE INTO ACCOUNT THE NORMAL US SLOWNESS. HARTMAN SAID WE COULD FIND WORDS TO LET THEM OFF THE HOOK IF A DELAY WERE OUR FAULT.

5. REFERRING TO POINT 3 IN THE NON-PAPER, ON RETENTION OF OUR PRESENT MOSCOW CHANCERY, DOBRYNIN SAID THE FOREIGN MINISTRY HAD TOLD HIM TO ASK WHETHER THE US

GOVERNMENT DESIRES TO RENEGOTIATE THE WHOLE AGREEMENT OF WHICH THE PROVISION ON RELINQUISHING OUR PRESENT CHANCERY IS A PART. HARTMAN SAID HE DID NOT WISH TO PROPOSE

RENEGOTIATING THAT AGREEMENT BUT WANTED THE SIDES TO REEXAMINE THAT ASPECT OF IT. AFTER ALL, WE ARE ALSO RE-EXAMINING THOSE ASPECTS OF THE AGREEMENT WHICH PROVIDE THAT THE PROJECTS WILL PROCEED IN PARALLEL. DOBRYNIN SAID FLATLY THAT THE CHANCERY RETENTION PROVISION IS CLEARLY NOT ACCEPTABLE TO THE SOVIET SIDE.

6. DOBRYNIN AND VORONTSOV SOUGHT CLARIFICATION OF OUR REQUEST FOR ADDITIONAL APARTMENTS, AND IN PARTICULAR THE TIME PERIOD OVER WHICH WE WOULD REQUIRE THE 20 NEW HOUSING UNITS. HARTMAN RESPONDED THAT THIS WAS SET FORTH IN OUR REQUEST FOR NEW APARTMENTS MADE SOMETIME AGO, BUT HE THOUGHT THE TIME FRAME INVOLVED WAS ON THE ORDER OF ONE TO TWO YEARS. DOBRYNIN REMARKED THAT THE PRACTICE IN MOSCOW HAD BEEN TO GIVE THE AMERICANS FIRST PRIORITY ON HOUSING. PERHAPS IN THE LAST FEW WEEKS MOSCOW HAD BEEN HOLDING UP BECAUSE OF THE WASHINGTON PROBLEM. THEY COULD EASILY GO BACK GIVING US FIRST PRIORITY ON HOUSING, BUT IT WOULD BE DIFFICULT TO BE MORE SPECIFIC THAN THAT.

7. DOBRYNIN EXPRESSED SOME PUZZLEMENT OVER POINT 5, DIRECT ACCESS THROUGH THE REAR WALL OF OUR PRESENT CHANCERY. HARTMAN EXPLAINED THAT WE WISH TO HAVE A GATE IN OUR WALL AND THE RIGHT TO CROSS OVER THE SMALL STRIP OF NO MAN'S LAND IN ORDER TO REACH OUR NEW PROPERTY. VORONTSOV SAID

THIS SOUNDED LIKE WE WANTED A DANZIG CORRIDOR.

8. DOBRYNIN QUESTIONED OUR NEED FOR A SCHOOL AND ITS
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 277340

RELEVANCE IN THIS CONTEXT. HARTMAN EMPHASIZED THAT WE DO NEED A NEW SCHOOL BUILDING BY AUGUST 1976 AND THAT IT IS RELEVANT BECAUSE WE WOULD BE PERMITTING THE SOVIETS TO BUILD THEIR NEW SCHOOL.

9. DOBRYNIN BRIEFLY QUESTIONED THE REQUEST FOR ELECTRICAL POWER, WHICH HARTMAN POINTED OUT HAD BEEN MADE SOMETIME AGO. DOBRYNIN DID NOT MENTION THE WAREHOUSE FACILITIES. HE NOTED THE REQUEST FOR RECREATION FACILITIES AND THE POINT ABOUT HEIGHTS OF ANTENNAS, BUT DID NOT PRESS EITHER MATTER.

10. IN CONCLUSION, DOBRYNIN EXPRESSED GRAVE DOUBTS THAT IT WOULD BE POSSIBLE TO NEGOTIATE SUCH A LARGE AND COMPLEX

PACKAGE IN TIME TO PREVENT THEIR LOSING THE 2 MILLION DOLLARS THAT HAD BEEN ALLOCATED TO THEM BY MOSCOW FOR STARTING THEIR PROJECT. THEIR FISCAL YEAR ENDS DECEMBER 31 AND MOSCOW WILL WISH TO SHIFT THE MONEY TO SOME OTHER EMBASSY NO LATER THAN TWO OR THREE WEEKS BEFORE THE END OF THE FISCAL YEAR.

11. HARTMAN EMPHASIZED THAT WE ARE NOT MAKING THIS PROPOSAL IN ORDER TO STALL THEM, BUT SIMPLY TO FIND A SOLUTION THAT MEETS THE NEEDS OF BOTH SIDES. HE URGED THAT THE PROPOSAL BE TRANSMITTED QUICKLY TO MOSCOW AND THAT OUR EXPERTS SET TO WORK IMMEDIATELY TO WORK OUT AN AGREEMENT.

12. ACTION REQUESTED: CHARGE SHOULD SEEK APPOINTMENT AT MFA ON TUESDAY TO PRESENT A COURTESY COPY OF THE NON-PAPER, TO INDICATE A WILLINGNESS TO BEGIN WORK ON FORMULATING AN EXCHANGE OF NOTES, AND TO SEEK ANY PRELIMINARY REACTIONS. KISSINGER

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